

CITY OF CARSON
INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2013

Table of Contents

	<u>Page</u>
Officials	3
Independent Auditors' Report	5-6
Management's Discussion and Analysis	7-12
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statement:	
Statement of Activities and Net Position – Cash Basis	A 14
Governmental Fund Financial Statements:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B 15
Proprietary Fund Financial Statements:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C 16
Notes to Financial Statements	17-26
Other Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds	28
Notes to Other Information – Budgetary Reporting	29
Supplementary Information:	<u>Schedule</u>
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds	1 31
Schedule of Indebtedness	2 32
Bond and Note Maturities	3 33
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds	4 34
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	36-37
Schedule of Findings	38-41

City of Carson

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Eric Weuve	Mayor	January 2014
Sue Jones	Council Member	January 2014
Charles Strong	Council Member	January 2014
Richelle Alff	Council Member	January 2014
Troy Graves	Council Member	January 2016
Callie Kallsen	Council Member	January 2016
Brianne Duede	City Clerk	Indefinite
Kristina Hansen	City Treasurer	Indefinite
Rick Kimble	City Attorney	Indefinite

CITY OF CARSON



Diane McGrain, CPA
Jim Menard, CPA

October 3, 2013

Independent Auditors' Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Carson, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the city's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Independent Auditors' Report
City of Carson

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Carson as of June 30, 2013, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Carson's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the four years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The financial statements for the four years ended June 30, 2008 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis and the budgetary comparison on pages 7 through 12, and 28 through 29, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2013 on our consideration of the City of Carson's internal control over financial reporting, and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Carson's internal control over financial reporting and compliance.

Schroer & Associates, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Carson, we offer readers of the City of Carson's financial statements this narrative overview and analysis of the financial activities of the City of Carson for the fiscal year ending June 30, 2013. This section should be read in conjunction with the financial statements and the accompanying notes that follow.

2013 Financial Highlights

- Receipts of the City's governmental activities decreased by 6.8%, or approximately \$98,000 from fiscal 2012 to fiscal 2013. Capital grants decreased approximately \$70,000. Property taxes increased approximately \$44,000. Tax increment financing collections decreased approximately \$129,000. Note proceeds increased approximately \$41,000.
- Disbursements decreased 52.2%, or approximately \$669,000 from 2012 to 2013. Public safety decreased approximately \$91,000, public works decreased approximately \$295,000, community and economic development decreased approximately \$58,000, and capital projects decreased approximately \$198,000.
- The City's total cash basis net position increased by \$745,120 from June 30, 2012 to June 30, 2013. Of this amount, the net position of the governmental activities increased \$711,745, and the net position of the business type activities increased by \$33,375.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund Financial Statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about the non-major governmental funds and the City's indebtedness.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitation resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service, and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, the sanitary sewer system, and solid waste removal. These activities are financed primarily by user charges.

Fund Financial Statements

The city has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the water, sewer and garbage funds, all considered to be major funds of the City.

The required financial statements for proprietary funds include a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased \$711,745 to \$1,100,938. The analysis that follows focuses on the changes in cash net position for governmental activities.

Changes in Cash Basis Net Position of Governmental Activities		
	Year ended June 30,	
	2013	2012
Receipts:		
Program receipts:		
Charges for service	\$ 49,694	41,253
Operating grants, contributions and restricted interest	159,694	156,610
Capital grants, contributions and restricted interest	59,374	129,894
General receipts:		
Property tax	265,388	221,852
Tax increment financing	133,462	262,909
Local option sales tax	97,287	90,591
Grants and contributions not restricted to specific purposes	868	868
Unrestricted interest on investments	186	153
Note proceeds	557,350	516,632
Total receipts	<u>1,323,303</u>	<u>1,420,762</u>
Disbursements:		
Public safety	139,545	230,651
Public works	93,391	388,379
Culture and recreation	60,137	115,703
Community and economic development	44,834	102,488
General government	72,206	82,276
Debt service	195,308	157,194
Capital projects	6,137	203,874
Total disbursements	<u>611,558</u>	<u>1,280,565</u>
Change in cash basis net position	711,745	140,197
Cash basis net position beginning of year	<u>389,193</u>	<u>248,996</u>
Cash basis net position end of year	<u>\$ 1,100,938</u>	<u>389,193</u>

The total receipts for governmental activities decreased \$97,459. The total cost of all programs and services decreased by \$669,007. The significant decrease in receipts was due to less tax increment financing collections of \$129,447 from the prior year.

The cost of all governmental activities this year was \$611,558 compared to \$1,280,565 from the prior year.

As shown in the statement of Activities and Net Position, the amount taxpayers ultimately financed for these activities was \$342,796, due to costs paid by those directly benefited from the programs (\$49,694) or by other governments, organizations that subsidized certain programs with grants, contributions and restricted interest (\$159,694).

Changes in Cash Basis Net Position of Business Type Activities		
	Year ended June 30,	
	2013	2012
Receipts:		
Program receipts:		
Charges for service		
Water	\$ 148,272	149,838
Sewer	175,108	177,138
Garbage	64,892	66,218
Total receipts	<u>388,272</u>	<u>393,194</u>
Disbursements:		
Water	142,840	140,400
Sewer	151,852	139,938
Garbage	60,205	62,286
Total disbursements	<u>354,897</u>	<u>342,624</u>
Change in cash basis net position	33,375	50,570
Cash basis net position beginning of year	<u>(29,291)</u>	<u>(79,861)</u>
Cash basis net position end of year	<u>\$ 4,084</u>	<u>(29,291)</u>

Total business type activities receipts for the fiscal year were \$388,272 compared to \$393,194 last year. The cash balance increased by \$33,375. Total disbursements for the fiscal year increased \$12,273.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Carson completed the year, its governmental funds reported a combined fund balance of \$1,100,938, an increase of \$711,745 from last year. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund balance at the end of the year was \$94,710, an increase of \$193,384 from prior year primarily due to unspent note proceeds for a fire truck.
- The Road Use Tax Fund balance at the end of the fiscal year was \$285,624, an increase of \$270,736 primarily due to unspent note proceeds for a street construction project.
- The Local Option Sales Tax Fund balance remained at zero since receipts are transferred to the General Fund for property tax relief.
- The Urban Renewal Tax Increment Fund balance at the end of the fiscal year was \$659,267, an increase of \$201,433 from the previous year. The increase was due to unspent note proceeds for an urban renewal project.
- The Debt Service Fund balance was \$68,474, a decrease of \$3,555 from the prior year due to payments on newly issued debt during the year.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund balance increased \$5,432 to \$101,567 due to controlling expenses.
- The Sewer Fund balance increased by \$23,256 to (\$65,837) due to reducing expenses to work towards correcting the negative fund balance towards a positive fund balance.
- The Garbage Fund balance increased by \$4,687 to (\$31,646) due to reducing expenses to work towards correcting the negative fund balance towards a positive fund balance.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City budget was amended two times for a total increase of \$854,524 for disbursements. City receipts were approximately \$222,831 less than budgeted. After the budget amendments, total disbursements were approximately \$834,609 less than anticipated because construction projects did not occur in the fiscal year as had originally planned.

DEBT ADMINISTRATION

At June 30, 2013, the City had approximately \$2,155,000 in bonds and other long-term debt, compared to approximately \$1,822,000 last year as shown below:

Outstanding Debt at Year End (Expressed in Thousands)		
	Year ended June 30, 2013	2012
General obligation notes and bonds	\$ 1,318	912
Urban renewal tax increment financing bonds	60	75
Revenue bonds	777	835
	<u>\$ 2,155</u>	<u>1,822</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt and TIF debt of \$1,378,000 is below its constitutional debt limit of approximately \$1,800,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Carson's elected and appointed officials and citizens considered many factors when setting the fiscal year 2014 budget, tax rates, and fees that will be charged for various City activities.

Strategic planning and capital equipment needs are prioritized and planned by City officials and department heads on a yearly basis. Funding strategies such as grant time frames, and the City's debt capacity are all taken into account during the budgetary planning process.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Brianne Duede, City Clerk, 316 South Commercial Street, Carson, Iowa.

City of Carson
Basic Financial Statements

City of Carson
Statement of Activities and Net Position
As of and for the year ended June 30, 2013

		Program Receipts			Net (Disbursement) Receipts and Changes in Cash Basis Net Assets			
		Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:								
Governmental activities:								
Public safety	\$	139,545	22,733	41,413	-	(75,399)	-	(75,399)
Public works		93,391	252	94,462	-	1,323	-	1,323
Culture and recreation		60,137	25,826	1,854	-	(32,457)	-	(32,457)
Community and economic development		44,834	-	19,414	-	(25,420)	-	(25,420)
General government		72,206	883	2,551	-	(68,772)	-	(68,772)
Debt service		195,308				(195,308)		(195,308)
Capital projects		6,137	-	-	59,374	53,237	-	53,237
Total governmental activities		611,558	49,694	159,694	59,374	(342,796)	-	(342,796)
Business type activities:								
Water		142,840	148,272	-	-	-	5,432	5,432
Sewer		151,852	175,108	-	-	-	23,256	23,256
Garbage		60,205	64,892	-	-	-	4,687	4,687
Total business type activities		354,897	388,272	-	-	-	33,375	33,375
Total	\$	966,455	437,966	159,694	59,374	(342,796)	33,375	(309,421)
General Receipts:								
Property tax levied for general purposes						265,388	-	265,388
Tax increment financing						133,462		133,462
Local option sales tax						97,287	-	97,287
Grants and contributions not restricted to specific purpose						868	-	868
Unrestricted interest on investments						186	-	186
Note proceeds						557,350	-	557,350
Total general receipts and transfers						1,054,541	-	1,054,541
Change in cash basis net position						711,745	33,375	745,120
Cash basis net position beginning of year						389,193	(29,291)	359,902
Cash basis net position end of year	\$	1,100,938	4,084					1,105,022
Cash Basis Net Position								
Restricted:								
Expendable:								
Streets	\$	285,624	-					285,624
Urban renewable purposes		659,267	-					659,267
Debt service		68,474						68,474
Other purposes		15,090	-					15,090
Unrestricted		72,483	4,084					76,567
Total cash basis net position	\$	1,100,938	4,084					1,105,022

See notes to financial statements.

City of Carson
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances - Governmental Funds
As of and for the year ended June 30, 2013

		Special Revenue				Other	
		Road	Local	Urban	Debt	Nonmajor	
	General	Use	Option Sales	Renewal	Service	Governmental	Total
		Tax	Tax	Tax Increment		Funds	
Receipts	\$						
Property tax	119,095	-	-	-	143,967	341	263,403
Tax increment financing	-	-	-	133,462	-	-	133,462
Other city tax	1,047	-	97,287	-	938	-	99,272
Licenses and permits	1,376	-	-	-	-	-	1,376
Use of money and property	9,134	-	-	-	-	-	9,134
Intergovernmental	22,938	94,462	-	-	-	59,374	176,774
Charges for service	39,118	-	-	-	-	-	39,118
Special assessments	252	-	-	-	-	-	252
Miscellaneous	23,748	1,300	-	18,114	-	-	43,162
Total receipts	216,708	95,762	97,287	151,576	144,905	59,715	765,953
Disbursements							
Operating:							
Public safety	139,545	-	-	-	-	-	139,545
Public works	-	93,391	-	-	-	-	93,391
Culture and recreation	60,137	-	-	-	-	-	60,137
Community and economic development	-	-	-	44,834	-	-	44,834
General government	68,375	-	-	-	-	3,831	72,206
Debt service	-	-	-	-	195,308	-	195,308
Capital projects	-	-	-	-	-	6,137	6,137
Total disbursements	268,057	93,391	-	44,834	195,308	9,968	611,558
Excess (deficiency) of receipts over (under) disbursements	(51,349)	2,371	97,287	106,742	(50,403)	49,747	154,395
Other financing sources (uses):							
Note proceeds	147,446	268,365	-	141,539	-	-	557,350
Operating transfers in	97,287	-	-	-	46,848	-	144,135
Operating transfers out	-	-	(97,287)	(46,848)	-	-	(144,135)
	244,733	268,365	(97,287)	94,691	46,848	-	557,350
Net change in cash balances	193,384	270,736	-	201,433	(3,555)	49,747	711,745
Cash balances beginning of year	(98,674)	14,888	-	457,834	72,029	(56,884)	389,193
Cash balances end of year	\$ 94,710	285,624	-	659,267	68,474	(7,137)	1,100,938
Cash Basis Fund Balances							
Restricted for:							
Streets	-	285,624	-	-	-	-	285,624
Urban renewal purposes	-	-	-	659,267	-	-	659,267
Debt service	-	-	-	-	68,474	-	68,474
Other purposes	-	-	-	-	-	15,090	15,090
Assigned for fire truck	94,710	-	-	-	-	-	94,710
Unassigned	-	-	-	-	-	(22,227)	(22,227)
Total cash basis fund balances	\$ 94,710	285,624	-	659,267	68,474	(7,137)	1,100,938

See notes to financial statements.

City of Carson
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds
As of and for the year ended June 30, 2013

	Enterprise Funds			
	Water	Sewer	Garbage	Total
Operating receipts:				
Charges for service	\$ 146,908	174,938	64,839	386,685
Operating disbursements:				
Business type activities	<u>130,072</u>	<u>80,602</u>	<u>60,205</u>	<u>270,879</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	16,836	94,336	4,634	115,806
Non-operating receipts (disbursements):				
Miscellaneous	1,364	170	53	1,587
Debt service	<u>(12,768)</u>	<u>(71,250)</u>	<u>-</u>	<u>(84,018)</u>
Total non-operating receipts (disbursements)	<u>(11,404)</u>	<u>(71,080)</u>	<u>53</u>	<u>(82,431)</u>
Net change in cash balances	5,432	23,256	4,687	33,375
Cash balances beginning of year	<u>96,135</u>	<u>(89,093)</u>	<u>(36,333)</u>	<u>(29,291)</u>
Cash balances end of year	\$ <u>101,567</u>	<u>(65,837)</u>	<u>(31,646)</u>	<u>4,084</u>
Cash Basis Fund Balances				
Unrestricted	\$ <u>101,567</u>	<u>(65,837)</u>	<u>(31,646)</u>	<u>4,084</u>

See notes to financial statements.

City of Carson
Notes to Financial Statements
June 30, 2013

NOTE (1) Summary of Significant Accounting Policies

The City of Carson is a political subdivision of the State of Iowa located in Pottawattamie County. It was first incorporated in 1881 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, sewer and garbage utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Carson has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Pottawattamie County Assessor's Conference Board, Pottawattamie County Landfill Association, Pottawattamie County Emergency Management Commission and the Iowa Waste Systems Association.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

City of Carson
Notes to Financial Statements
June 30, 2013

NOTE (1) Summary of Significant Accounting Policies - Continued

B. Basis of Presentation - Continued

The Statement of Activities and Net Position presents the City's nonfiduciary net assets. Net assets are reported in the following categories/components:

Expendable Restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances that do not meet the definition of the preceding category. Unrestricted net position often have constraints on resources imposed by management, which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

City of Carson
Notes to Financial Statements
June 30, 2013

NOTE (1) Summary of Significant Accounting Policies - Continued

B. Basis of Presentation - Continued

Special Revenue - Continued:

The Local Option Sales Tax Fund is used to account for the receipts from tax authorized by referendum and used for community betterment projects.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's sanitary sewer system.

The Garbage Fund accounts for the operation of the City's solid waste disposal.

C. Measurement Focus and Basis of Accounting

The City of Carson maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

City of Carson
Notes to Financial Statements
June 30, 2013

NOTE (1) Summary of Significant Accounting Policies - Continued

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2013, disbursements exceeded the amount budgeted in the debt service function.

F. Property Tax Calendar

The City's property tax rates were extended against the assessed valuation of the City as of January 1, 2011, to compute the amounts which became liens on property on July 1, 2012. These taxes were due and payable in two installments on September 30, 2012 and March 31, 2013, at the Pottawattamie County Treasurer's Office. These taxes are recognized as income to the City when they are received from the county.

NOTE (2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

City of Carson
Notes to Financial Statements
June 30, 2013

NOTE (2) Cash and Pooled Investments - Continued

The City's cash, which consists of cash in bank and certificates of deposit, totaled \$1,105,022.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board (GASB) Statement No. 3, as amended by Statement No. 40.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

NOTE (3) Bonds and Notes Payable

Annual debt service requirements to maturity of general obligation debt, urban renewal tax increment financing revenue bonds and revenue notes are as follows:

Year Ending June 30,	General Obligation Bonds and Notes		Urban Renewal Tax Increment Financing Revenue Bonds		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 212,000	32,736	20,000	2,460	59,000	24,138	291,000	59,334
2015	203,500	26,049	20,000	1,660	61,000	22,217	284,500	49,926
2016	215,000	14,926	20,000	840	68,000	20,228	303,000	35,994
2017	146,500	11,495			70,000	17,932	216,500	29,427
2018	137,000	8,425			56,000	15,570	193,000	23,995
2019-2023	404,000	32,849			303,000	51,810	707,000	84,659
2024-2027					160,000	8,430	160,000	8,430
	<u>\$ 1,318,000</u>	<u>126,480</u>	<u>60,000</u>	<u>4,960</u>	<u>777,000</u>	<u>160,325</u>	<u>2,155,000</u>	<u>291,765</u>

Interest costs paid during the year ended June 30, 2013 totaled \$58,265.

The Code of Iowa requires that principal and interest on general obligation bonds be paid from the Debt Service Fund.

The City has a general obligation debt limit of approximately \$1,800,000 which was not exceeded during the year ended June 30, 2013.

City of Carson
Notes to Financial Statements
June 30, 2013

NOTE (3) Bonds and Notes Payable - Continued

Urban Renewal Tax increment Financing Revenue Bonds

The City issued \$165,000 in August 2005, for the purpose of defraying a portion of the costs of carrying out urban renewal projects, including street improvements for the Tibbles subdivision. The bonds are payable solely from the TIF receipts generated by increased property values in the City's TIF district and credited to the Special Revenue, Urban Renewal Tax Increment Fund in accordance with Chapter 403.19 of the Code of Iowa. TIF receipts are generally projected to produce 100 percent of the debt service requirements over the life of the bonds. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitations of the City. Total principal and interest remaining on the bonds is \$64,960, payable through June 2016. For the current year, total bond and interest payments and total TIF receipts were \$18,038 and \$133,462, respectively.

Revenue Notes

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$100,000 in water revenue notes issued in November 2007. Proceeds from the notes provided financing for the construction of water main extensions. The notes are payable solely from water customer net receipts and are payable through 2017. Annual principal and interest payments on the notes are expected to require less than 100 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$56,335. For the current year, principal and interest paid and total customer net receipts were \$12,768 and \$16,836, respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$750,000 in sewer revenue notes issued in September 2004, \$250,000 in sewer revenue notes issued in October 2006, and \$59,000 in sewer revenue notes issued in June 2007. Proceeds from the notes provided financing for the construction of improvements to the sewer treatment plant. The notes are payable solely from sewer customer net receipts and are payable through 2027. Annual principal and interest payments on the notes are expected to require less than 100 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$880,990. For the current year, principal and interest paid and total customer net receipts were \$71,250 and \$94,336, respectively.

The resolutions providing for the issuance of the revenue notes include the following provisions:

- a) The notes will only be redeemed from the future earnings of the enterprise activity.
- b) Sewer revenue charges must be established at a level which produces and maintains net receipts at a level no less than 110% of principal and interest falling due in the same year.

Sewer revenue charges were insufficient in the past to meet the debt resolution provision. The sewer fund still has a deficit cash basis fund balance.

City of Carson
Notes to Financial Statements
June 30, 2013

NOTE (4) Lease Agreement

The City leases a copy machine under an operating lease agreement. Rent expense for the year ended June 30, 2013 was \$1,218. The future minimum required minimum lease payments are as follows:

Year ending June 30,	Amount
2014	1,656
2015	1,656
2016	1,656
2017	1,656
2018	1,518
Total	\$ 8,142

NOTE (5) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 5.78% of their annual covered salary and the City is required to contribute 8.67% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by State statute. The City's contribution to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$16,263, \$14,922, and \$14,166 respectively, equal to the required contributions for each year.

NOTE (6) Other Postemployment Benefits (OPEB)

Plan description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 2 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with United Healthcare. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$998 for single coverage and \$1,435 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2013, there were no plan members eligible for benefits.

City of Carson
Notes to Financial Statements
June 30, 2013

NOTE (7) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and comp time hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and comp time termination payments payable to employees at June 30, 2013, primarily relating to the General Fund is \$438. This liability is computed on rates of pay effective as of June 30, 2013.

NOTE (8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Local Option Sales Tax	\$ 97,287
Debt Service	Special Revenue: Urban Renewal Tax Increment	46,848
		<u>\$ 144,135</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse resources.

NOTE (9) Risk Management

The City is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE (10) Deficit Fund Balances

At June 30, 2013, the City had the following deficit fund balances:

Capital Projects	\$ 22,227
Proprietary, Sewer Fund	65,837
Proprietary, Garbage Fund	<u>31,646</u>
Total	<u>\$ 119,710</u>

The Capital Projects deficits will be eliminated upon receipts of grants and other financing sources. The Garbage and Sewer Fund deficits will be eliminated by prior year increases in fees for services.

City of Carson
Notes to Financial Statements
June 30, 2013

NOTE (11) Urban Renewal

Carson Urban Renewal Area

On September 13, 1999, the City established the Carson Urban Renewal Area which included the entire area within the corporate boundaries of the City except for four agricultural properties. The objectives of the plan included the stimulation of new residential development, the efficient construction of street, water, storm sewer and sanitary sewer improvements to support housing development and an increase in affordable housing units in the City. The area principally served by the plan is the Wilbur Subdivision.

On September 12, 2005, the City adopted Amendment No. 1 to the Carson Urban Renewal Area. The amendment determined an area of the City to be blighted and provided for its rehabilitation, conservation, redevelopment, and development as in the interest of the public health, safety or welfare of the residents of the City.

Lewis/Lariviere Urban Renewal Area

In June 2004, the City established the Lewis/Lariviere Urban Renewal Area and designated the area as an economic development district. In December 2004, the area was expanded to include a parcel of the commercial district by the adoption of Amendment No. 1. The objectives of the plan are commercial and residential development south of Highway 92.

Tibbles Urban Renewal Area

On April 11, 2005, the City established the Tibbles Urban Renewal Area and designated the Tibbles Subdivision as an economic development district to promote new residential development. The Tibbles subdivision is located west of the Nishnabotna River.

NOTE (12) Commitments

Billing Services Agreement

On October 1, 2010, the City renewed an agreement with Physician's Claims Company, Inc. The Billing Service provides medical billings for the ambulance calls for a monthly fee of 10% of the net collections on the City's behalf during the preceding month. The initial term of the agreement was for three years and automatically will renew for successive one-year terms. Either party may terminate with 90 days notice.

Garbage Collection Service Agreement

On May 14, 2012, the City amended its agreement with M & K Mills Tree Service, Inc. for the collection of garbage, rubbish, and recyclables. The contract runs to December 31, 2022. The contracted amount per residential unit for up to four 32-gallon containers per week is \$10.50 per month. The contracted amount for commercial, industrial, and institutional premises, per yard, per dump is \$5.00, and \$1.00 per unit per month for recyclables. The City paid \$48,927 on the contract during fiscal year 2013.

City of Carson
Notes to Financial Statements
June 30, 2013

NOTE (12) Commitments - Continued

Law Enforcement Service Contract

The City renewed its Law Enforcement Services Contract with Pottawattamie County for the services of the Pottawattamie County Sheriff's Department as of July 1, 2013. The contract is payable in four installments of \$3,553 during fiscal year 2014.

NOTE (13) Franchise Agreement

On August 13, 2007, the City passed an ordinance granting to Mid-American Energy Company, its successors and assignees, the right and franchise to acquire, construct, erect, maintain, and operate a natural gas system in the City of Carson, and to furnish and sell natural gas to the City and its inhabitants for a period of twenty-five years. The City also passed an ordinance granting Mid-American Energy Company, its successors and assignees, the right and franchise to acquire, construct, erect, maintain, and operate a system for the transmission and distribution of electric energy and communications signals to the City and its inhabitants for a period of twenty-five years. The franchises will expire in 2032.

NOTE (14) Construction Commitments

At June 30, 2013, the city had street construction commitments of \$536,202. There were no retainages due.

Other Information

City of Carson
 Budgetary Comparison Schedule
 of Receipts, Disbursements, and Changes in Balances -
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds
 Other Information
 Year ended June 30, 2013

	Governmental Funds Actual	Proprietary Funds Actual	Net	Budgeted Amounts		Final to Net Variance
				Original	Final	
Receipts						
Property tax	\$ 263,403	-	263,403	256,245	256,245	7,158
Tax increment financing	133,462	-	133,462	117,815	124,609	8,853
Other city tax	99,272	-	99,272	102,854	102,854	(3,582)
Licenses and permits	1,376	-	1,376	2,075	2,575	(1,199)
Use of money and property	9,134	-	9,134	24,010	45,187	(36,053)
Intergovernmental	176,774	-	176,774	108,247	414,974	(238,200)
Charges for service	39,118	369,325	408,443	387,700	425,150	(16,707)
Special assessments	252	-	252	-	-	252
Miscellaneous	43,162	18,947	62,109	6,100	5,462	56,647
Total receipts	765,953	388,272	1,154,225	1,005,046	1,377,056	(222,831)
Disbursements						
Public safety	139,545	-	139,545	125,457	295,621	156,076
Public works	93,391	-	93,391	76,328	580,806	487,415
Culture and recreation	60,137	-	60,137	56,482	66,678	6,541
Community and economic development	44,834	-	44,834	89,037	193,845	149,011
General government	72,206	-	72,206	63,390	76,282	4,076
Debt service	195,308	-	195,308	172,667	195,142	(166)
Capital projects	6,137	-	6,137	-	6,137	-
Business type activities	-	354,897	354,897	363,179	386,553	31,656
Total disbursements	611,558	354,897	966,455	946,540	1,801,064	834,609
Excess (deficiency) of receipts over (under) disbursements	154,395	33,375	187,770	58,506	(424,008)	611,778
Other financing sources, net:	557,350	-	557,350	-	552,571	4,779
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	711,745	33,375	745,120	58,506	128,563	616,557
Balances beginning of year	389,193	(29,291)	359,902	359,902	359,902	-
Balances end of year	\$ 1,100,938	4,084	1,105,022	418,408	488,465	616,557

See accompanying independent auditors' report.

City of Carson
Notes to Other Information – Budgetary Reporting
June 30, 2013

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon major classes of disbursements known as functions, not by fund or fund type. These functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$854,524. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2013, disbursements exceeded the amount budgeted in the debt service function.

Supplementary Information

City of Carson
Schedule of Cash Receipts, Disbursements and Changes in
Cash Balances – Nonmajor Governmental Funds
As of and for the year ended June 30, 2013

	Special Revenue				
	Employee Benefits	Insurance	Fema	Capital Projects	Total
Receipts					
Property tax	\$ 138	203	-	-	341
Intergovernmental	-	-	-	59,374	59,374
Total receipts	138	203	-	59,374	59,715
Disbursements:					
Operating:					
General government	3,831	-	-	-	3,831
Capital projects	-	-	-	6,137	6,137
Total disbursements	3,831	-	-	6,137	9,968
Net change in cash balances	(3,693)	203	-	53,237	49,747
Cash balances beginning of year	3,743	235	14,602	(75,464)	(56,884)
Cash balances end of year	\$ 50	438	14,602	(22,227)	(7,137)
Cash Basis Fund Balances					
Restricted for other purposes	\$ 50	438	14,602	-	15,090
Unassigned	-	-	-	(22,227)	(22,227)
Total cash basis fund balances	\$ 50	438	14,602	(22,227)	(7,137)

See accompanying independent auditors' report.

City of Carson
Schedule of Indebtedness
Year ended June 30, 2013

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General obligation bonds and notes:									
Ambulance	Sep 1, 2002	4.80%	\$ 140,000	\$ 15,000	-	15,000	-	720	-
Street/storm sewer	Nov 15, 2006	4.25-4.50%	135,000	75,000	-	15,000	60,000	3,270	-
Essential corporate purpose	Nov 30, 2007	4.10-4.70%	495,000	260,000	-	60,000	200,000	11,445	-
Water Improvement	Jul 1, 2009	3.80%	82,000	39,000	-	23,000	16,000	1,299	-
Fire truck and backhoe	Jul 1, 2011	3.00%	181,000	181,000	-	21,000	160,000	3,988	-
Street improvement	Jul 25, 2011	1.60-3.00%	280,000	280,000	-	30,000	250,000	6,720	-
Sewer improvement	May 30, 2012	3.00-3.75%	62,000	62,000	-	-	62,000	1,767	-
Essential corporate purpose	Apr 25, 2013	.05-2.00%	570,000	-	570,000	-	570,000	-	-
			\$	912,000	570,000	164,000	1,318,000	29,209	-
Urban renewal tax increment financing (TIF) revenue bonds									
Tibbles/TIF Subdivision	Aug 1, 2005	4.00-4.20%	\$ 165,000	\$ 75,000	-	15,000	60,000	3,038	-
Revenue notes:									
Sewer	Sep 29, 2004	3.00%	\$ 750,000	\$ 536,000	-	34,000	502,000	16,080	-
Sewer	Oct 5, 2006	3.00%	250,000	190,000	-	11,000	179,000	5,700	-
Sewer	Jun 28, 2007	3.00%	59,000	49,000	-	3,000	46,000	1,470	-
Water	Nov 30, 2007	4.50-4.75%	100,000	60,000	-	10,000	50,000	2,768	-
			\$	835,000	-	58,000	777,000	26,018	-

See accompanying independent auditors' report.

City of Carson
Bond and Note Maturities
June 30, 2013

General Obligation Bonds and Notes

Year Ending June 30,	Street/Storm Sewer Issued Nov 15, 2006		Essential Corporate Purpose Issued Nov 30, 2007		Water Improvement Issued Jul 1, 2009		Fire Truck/Backhoe Issued Jul 1, 2011		Street Improvement Issued Jul 25, 2011		Sewer Improvement Issued May 30, 2012		Essential Corporate Purpose Issued Apr 25, 2013		Total
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2014	4.30%	\$ 15,000	4.70%	\$ 65,000	3.80%	\$ 16,000	3.00%	\$ 21,000	1.60%	\$ 30,000	3.00%	\$ 10,000	0.50%	\$ 55,000	\$ 212,000
2015	4.35%	15,000	4.10%	65,000	-	-	3.50%	26,000	1.60%	30,000	3.50%	12,500	0.50%	55,000	\$ 203,500
2016	4.40%	15,000	4.15%	70,000	-	-	3.60%	27,000	1.60%	30,000	3.60%	13,000	0.85%	60,000	\$ 215,500
2017	4.50%	15,000	-	-	-	-	3.75%	28,000	3.00%	30,000	3.75%	13,500	0.85%	60,000	\$ 146,500
2018	-	-	-	-	-	-	3.80%	29,000	3.00%	30,000	3.75%	13,000	1.25%	65,000	\$ 137,000
2019	-	-	-	-	-	-	3.90%	29,000	3.00%	30,000	-	-	1.25%	70,000	\$ 129,000
2020	-	-	-	-	-	-	-	-	3.00%	35,000	-	-	1.25%	70,000	\$ 105,000
2021	-	-	-	-	-	-	-	-	3.00%	35,000	-	-	1.60-2.00%	45,000	\$ 80,000
2022	-	-	-	-	-	-	-	-	-	-	-	-	2.00%	45,000	\$ 45,000
2023	-	-	-	-	-	-	-	-	-	-	-	-	2.00%	45,000	\$ 45,000
		\$ 60,000		\$ 200,000		\$ 16,000		\$ 160,000		\$ 250,000		\$ 62,000		\$ 570,000	\$ 1,318,000

Urban Renewal Tax

Increment (TIF) Revenue Bonds
Tibbles TIF Subdivision

Year Ending June 30,	Issued Aug 1, 2005	
	Interest Rates	Amount
2014	4.00%	\$ 20,000
2015	4.10%	20,000
2016	4.20%	20,000
2017	-	-
2018	-	-
2019	-	-
2020	-	-
2021	-	-
2022	-	-
2023	-	-
2024	-	-
2025	-	-
2026	-	-
2027	-	-
		\$ 60,000

Revenue Notes

Year Ending June 30,	Sewer Issued Sept 20, 2004		Sewer Issued Oct 5, 2006		Sewer Issued Jun 28, 2007		Water Issued Nov 30, 2007		Total
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2014	3.00%	\$ 35,000	3.00%	\$ 11,000	3.00%	\$ 3,000	4.50%	\$ 10,000	\$ 59,000
2015	3.00%	36,000	3.00%	12,000	3.00%	3,000	4.60%	10,000	61,000
2016	3.00%	36,000	3.00%	12,000	3.00%	3,000	4.70%	15,000	68,000
2017	3.00%	39,000	3.00%	13,000	3.00%	3,000	4.75%	15,000	70,000
2018	3.00%	40,000	3.00%	13,000	3.00%	3,000	-	-	56,000
2019	3.00%	41,000	3.00%	13,000	3.00%	3,000	-	-	57,000
2020	3.00%	42,000	3.00%	14,000	3.00%	3,000	-	-	59,000
2021	3.00%	43,000	3.00%	14,000	3.00%	3,000	-	-	60,000
2022	3.00%	45,000	3.00%	15,000	3.00%	3,000	-	-	63,000
2023	3.00%	46,000	3.00%	15,000	3.00%	3,000	-	-	64,000
2024	3.00%	48,000	3.00%	15,000	3.00%	4,000	-	-	67,000
2025	3.00%	48,000	3.00%	16,000	3.00%	4,000	-	-	69,000
2026	3.00%	49,000	3.00%	16,000	3.00%	4,000	-	-	70,000
2027	-	-	3.00%	16,000	3.00%	4,000	-	-	20,000
		\$ 502,000		\$ 179,000		\$ 46,000		\$ 50,000	\$ 777,000

See accompanying independent auditors' report.

City of Carson
Schedule of Receipts By Source and Disbursements By Function -
All Governmental Funds
For the Last Nine Years

	2013	2012	2011	2010	2009	2008	2007	2006	2005
Receipts									
Property tax	\$ 263,403	214,604	210,116	145,189	200,807	146,409	149,263	112,198	115,291
Tax increment financing collections	133,462	262,909	288,517	442,782	137,874	256,035	214,341	237,576	222,747
Other city tax	99,272	97,839	92,151	80,103	88,806	69,871	77,705	83,583	67,769
Licenses and permits	1,376	1,453	776	1,651	1,471	2,848	1,987	1,852	2,666
Use of money and property	9,134	9,712	7,361	11,539	8,635	13,888	20,084	5,695	862
Intergovernmental	176,774	227,253	92,521	95,813	87,028	179,779	597,304	968,980	154,309
Charges for service	39,118	31,095	32,914	43,739	50,893	35,074	56,147	22,888	12,962
Special assessments	252	-	-	685	368	-	-	-	-
Miscellaneous	43,162	59,265	42,370	11,444	92,952	26,444	348,173	84,182	59,867
Total	\$ 765,953	904,130	746,726	832,945	668,834	730,348	1,455,004	1,516,954	636,473
Disbursements									
Operating:									
Public safety	\$ 139,545	230,651	125,205	142,444	108,359	113,791	114,071	129,467	116,961
Public works	93,391	388,379	74,126	75,846	58,435	70,266	70,489	78,928	51,922
Culture and recreation	60,137	115,703	69,682	59,873	56,821	59,434	20,793	30,897	32,607
Community and economic development	44,834	102,488	204,974	53,636	132,414	79,866	205,412	205,902	159,736
General government	72,206	82,276	53,097	43,519	55,949	46,178	58,873	84,268	60,152
Debt service	195,308	157,194	102,441	287,139	283,035	627,966	74,340	57,224	91,263
Capital projects	6,137	203,874	44,481	7,087	28,533	461,501	2,230,688	1,751,328	429,624
Total	\$ 611,558	1,280,565	674,006	669,544	723,546	1,459,002	2,774,666	2,338,014	942,265

See accompanying independent auditors' report.

City of Carson



Diane McGrain, CPA
Jim Menard, CPA

October 3, 2013

Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Carson, Iowa, as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 3, 2013. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Carson's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Carson's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Carson's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of City of Carson's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Continued...

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City of Carson
Independent Auditors' Report on
Internal Control and Compliance and Other Matters

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-13, we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Carson's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Carson's Responses to Findings

City of Carson's responses to findings identified in our audit are described in the accompanying Schedule of Findings. City of Carson's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Carson during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Schroer & Associates, P.C.

City of Carson
Schedule of Findings
Year Ended June 30, 2013

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-13 Segregation of Duties

Comment – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits, posting of the cash receipts to the cash receipts journal, reconciling and reporting, are at times all done by the same person.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – The City Treasurer does a monthly review of the bank statements and bank reconciliations.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

City of Carson
Schedule of Findings
Year Ended June 30, 2013

Part II: Other Findings Related to Required Statutory Reporting:

II-A-13 Certified Budget

Comment - Disbursements during the year ended June 30, 2013 exceeded the amounts budgeted in the debt service function. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in sufficient amounts in the future, if applicable.

Conclusion – Response accepted.

II-B-13 Questionable Disbursements

We noted no disbursements for parties, banquets or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

II-C-13 Travel Expense

No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-13 Business Transactions

Business transactions between the City and City officials, employees or relatives of City officials are detailed as follows:

Sue Jones, Council Member Owner of Garden Chic Design	Ragbrai Street decorations	\$ 446
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The transaction with the Council Member does not appear to represent a conflict of interest since the total transactions were less than \$2,500 during the year.

II-E-13 Bond Coverage

Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

City of Carson
Schedule of Findings
Year Ended June 30, 2013

Part II: Other Findings Related to Required Statutory Reporting - Continued:

II-F-13 Council Minutes

Comment – Except for the following, no transactions were found that we believe should have been approved in the Council minutes but were not. One employee was given a raise of \$.75 upon completion of a certification without Council approval noted.

Recommendation – The City should evaluate whether the raise was merited. All employee rates of pay should be approved by resolution.

Response – We will review the rate of pay of this employee. In the future, all pay rates will be approved by resolution. The City Council passed as resolution to approve retroactively the \$.75 raise for this one employee at the September 9, 2013 Council meeting.

Conclusion – Response accepted.

II-G-13 Deposits and Investments

We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

II-H-13 Revenue Note

Comment – The City has a deficit fund balance in the Sewer Fund which violates the provision of the sewer revenue bond resolution.

Recommendation – The City should establish rates which will generate user fees sufficient to service the revenue debt and the operations of the City's sanitary sewer system.

Response – We have increased our fees and will monitor the fund balances. This fiscal year reflects a fund balance increase in the Sewer Fund. We will continue with budgetary practices that will continue this fund balance progress to a positive balance.

Conclusion – Response accepted.

II-I-13 Financial Condition

Comment – At June 30, 2013, the City had the following deficit fund balances:

Capital Projects	\$	22,227
Proprietary, Sewer Fund		65,837
Proprietary, Garbage Fund		31,646
Total	\$	<u>119,710</u>

Recommendation – The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial condition. User fees for sewer and garbage should be adjusted to service operations and revenue debt. The City should control spending within corresponding revenue sources.

City of Carson
Schedule of Findings
Year Ended June 30, 2013

Part II: Other Findings Related to Required Statutory Reporting - Continued:

II-I-13 Financial Condition (continued)

Response – We will monitor these funds closely and have made increases in sewer and garbage fees. This fiscal year reflects a fund balance increase in both the Sewer and Garbage Funds. We will continue with budgetary practices that will continue the progress of these fund balances to positive balances.

Conclusion – Response accepted.

II-J-13 Urban Renewal Tax Increment Fund

Comment – The City has three urban renewal areas with low to moderate income set aside requirements. The set aside amounts are not segregated for accountability.

Recommendation – For better accountability, the City should segregate the low to moderate income set aside funds within the Urban Renewal Tax Increment Fund and should certify the remainder balance of the set aside funds to be received.

Response – We will do this.

Conclusion – Response accepted.

II-K-13 Urban Renewal Annual Report

Comment - The urban renewal annual report was approved and certified to the Iowa Department of Management before December 1. However, the amount reported by the City as TIF debt outstanding was understated by \$122,300.

Recommendation – The City should ensure the debt amounts reported on the Levy Authority Summary agree with the City's records.

Response – These items will be corrected on next year's report.

Conclusion – Response accepted.